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USDOC FOR 532/OEA/LHINES/ADYSON  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS  
BEIJING FOR FCS ECO JEANNETTE CHU

SIPDIS

E.O. 12958: N/A  
TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)  
SUBJECT: EXTRANCHECK: PRE-LICENSE CHECK: FREE COMPONENTS

REF: A) USDOC 02727 (2008) B) D395732 C) HK00843 (2008) D) HK 03094  
(2007) E) HK 00001 (2008) F) HK02563 (2007) (G) HK 01953 (2005) H)  
HK 00909 (2006)

11. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO), conducted a combination pre-license check (PLC) and Post Shipment Verification (PSV) of Free Components Co. Ltd., Unit 7401A/26 F, DMK-IN Commercial Centre, Fo Dundai St., Mong Kok, Hong Kong (Free Components). The items in question for the PLC are 350 SRAM memory arrays valued at USD 16,000 and which are that subject of BIS license application D395732. Additionally, the PSV concerns four shipments of Actel A42MX36-1CQ208B integrated circuits that were ordered by Free Components from Singapore company Tecnomicro Processors Pte. Ltd. and that are the discussed in further detail in reftel C. All of the items are classified under Export Control Classification Number (ECCN) 3A001 and are controlled for national security (NS) reasons. Austin Semiconductor, Inc. of Austin, Texas is the license applicant for the PLC and Tecnomicro was the reexporter in relation to the four additional PSV related shipments.

13. A review of the Hong Kong Companies Registry reveals that Free Components has been in existence since July 2006. Its paid-up share capital is the Hong Kong equivalent of USD 12. Its sole director is listed as mainland Chinese national Hu, Yanhui, resident of Yin Chuan City, Ningxia and mainland identification card holder with number 640102198501091515. Its sole shareholder is listed as mainland national Chen, Yanjie of Shenzhen, mainland China. The registered address of Free Components, namely 2401A Park-In Commercial Center, 56 Dundas Street, Hong Kong, is located at the offices of SBC International (a company secretarial service). As detailed further below, Free Components is affiliated with a range of additional companies in Hong Kong and mainland China, many of which are claim to be active in trading various military grade integrated circuits and other military grade components.

14. According to the web site of Free Components ([www.freeicforum.com](http://www.freeicforum.com)), the company is one of the major stocking distributors of electronic components in China. The web site further states that Free Components is expanding its focus on hard-to-find and obsolete military, industrial or commercial grade components. The company states it also has several offices in China including in Shenzhen, Beijing, Xian, Chengdu and Cixi besides its Hong Kong office.

15. A review of the Free Components web site reveals that it is not located at the address provided in reftel A but rather at 2401A Park-In Commercial Center, 56 Dundas Street, Mongkok (the registered address noted above). A Ms. Chan agreed to meet at a different

address, namely Room 503, Grand City Plaza, 1 Sai Lau Kok Road, Hong Kong. A review of the PSV related purchase orders obtained from Tecnomic reveal an additional address in the Grand City Plaza, namely Room 1702.

¶6. On May 21, 2008, ECO and Commercial Assistant Carrie Chan visited the company and met with Ms. Chan. She had no business cards to share with the ECO and stated that she was merely a clerk. The office is located in a quiet office building. There is no reference to Free Components on the building directory or on the door of the office. It is a one-room office with a desk, phone and a stack of boxes against one wall. Ms. Chan appears to work alone in the office although a sign apparently used when Ms. Chan is out of the office (and laying on a table in the room) tells visitors to visit room 1702 if room 503 is vacant.

¶7. Ms. Chan stated that her office acts as the receiving point for shipments received from abroad. Upon receipt of packages, she informs her principals in Shenzhen that the packages have arrived. The Shenzhen office is responsible for receiving orders and payments and sourcing products. When payment is received from customers, the Shenzhen office informs the customer and that customer typically arrives at the offices of Free Components to pick up the items (over ninety percent of all packages are handled in this way). In other cases, Free Components delivers the items to the customer, typically by courier. Ms. Chan claimed ignorance of customer names and end-uses of the items Free Components receives. She stated that the Park-In Commercial Center address is the registered address of the company.

¶8. When asked about the specific transactions and the order in question, Ms. Chan stated that neither she nor her superiors knew anything about the order to Austin Semiconductor and had no further information to provide on that issue. As to the shipments from

Tecnomic, Ms. Chan stated that she only had one document relating to the final disposition of those items. That document (a copy of a simple invoice) lists Feson Technology Limited as the buyer of two of the Actel ICs. No address is given on the document for this company and it appears that the company picked up the items from Free Components. Ms. Chan had no further information to provide on this company other than her belief that it is located in mainland China. No such company with that name could be found in the Hong Kong Companies Registry. As to the remaining shipments from Tecnomic, Ms. Chan stated that all documents for those shipments had been sent back to Shenzhen and that she had been unable to obtain those from Shenzhen. She went on to say that the files are typically kept in a warehouse and then are unavailable. This is purportedly to keep sales agents from leaving the company with customer names and contact details. ECO did not find her answers on this point to be credible. No additional information on the final disposition of these shipments was forthcoming.

¶9. The conversation then turned to a range of Hong Kong and mainland Chinese companies that appear to be related to Free Components and which are themselves engaged in trading in electronics components. As noted below, many of those companies claim to trade in military grade electronic components and some show images of warships, fighter jets and missiles on their web sites. A listing of the companies follows as well as a short explanation of their relationship to Free Components and to each other.

¶10. Sur-Link Technology (H.K.) Limited (Sur-Link HK): A review of the Hong Kong Companies Registry reveals that Sur-Link HK has been in existence since 2003. It has paid-up share capital is the Hong Kong equivalent of USD 1200. Its sole director is listed as mainland Chinese national Chen, Renyi with mainland Chinese passport number G05120674. Chen, Renyi is also a director in Italy Fegour Electric (International) Holdings Limited with Cen, Gengqiang who holds mainland Chinese passport number G11990438. Sur-Link HK's registered address and actual premises are located in the same building as Free Components (the Grand City Plaza Address) but on the 17th floor. Invoices relating to the PSV shipments list the 17th floor office of Sur-Link as the offices of Free Components. A review of Sur-Link's web site ([www.surelink-ic.com](http://www.surelink-ic.com)) reveals that this company's China affiliate office is located at the same address

in Shenzhen as Free Components (No. 4019 Shennanzhong Rd., Shenzhen - an office building developed by China Aerospace Science and Industry Group (CASIC)). It also states that Sur-Link HK is expanding internationally including into Iran. Ms. Chan confirmed during the meeting that Sur-Link HK and other companies noted herein are owned by a common group of owners. Additionally, she stated that she had heard that Sur-Link has an office in Dubai. By subsequent phone call the next day, Ms. Chan stated that the companies were not related. ECO notes that U.S. Company QP Semiconductor (www.qpsemi.com) lists Sur-Link HK as its authorized distributor/representative. According to QP Semiconductor's web site, it is a fabless semiconductor firm serving the military, aerospace and high reliability industries.

¶11. CTC International (Hong Kong) Limited (CTC HK): A review of the Hong Kong Companies Registry reveals that CTC HK has been in existence since 2003. Its paid-up share capital is the Hong Kong equivalent of USD 250,000. Its directors are listed as mainland Chinese national Cen, Chongping (also listed as Cen, Chong Ping) with mainland passport number G03363416 and Hong Kong resident Chan, Lee Na with Hong Kong identity card number K155636(3). The directors are also the company's shareholders. Cen, Chongping is also the director of H.K. Xing Hang Yuan Int'l Company Limited (discussed below). According to this company's web site, (www.ctc-ic.com), the company is also able to source military grade ICs from Intersil, IVG, Avago, Maxim, AD and others. It claims a Hong Kong and Shenzhen office. The Shenzhen office is located at the same address as the Shenzhen offices of Sur-Link and Free Components. Ms. Chan confirmed during the meeting that CTC HK and other companies noted herein are owned by a common group of owners. By subsequent phone call the next day, Ms. Chan stated that the companies were not related.

¶12. H.K. Xing Hang Yuan Int'l Company Limited (HK XHY): A review of the Hong Kong Companies Registry reveals that HK XHY has been in existence since 2000. Its paid-up share capital is the Hong Kong equivalent of USD 1,200. Its directors and shareholders are listed as mainland Chinese national Cen, Chong Ping with mainland passport number G03363416 (also a director in CTC HK) and mainland Chinese national Chen, Yan Jie with mainland passport number G22619671. Various web searches for this company linked back to the Free Components web site. On other web sites, the company claims to be a

supplier of military products for use in aviations, weapons and shipping. Ms. Chan confirmed during the meeting that HK XHY and other companies noted herein are owned by a common group of owners. By subsequent phone call the next day, Ms. Chan stated that the companies were not related. Some of the invoices from the Tecnomics order list Free Components as the bill-to address while listing HK XHY as the ship-to address. HK XHY was the subject of a previous unfavorable PSV discussed in reftel G (01953) and corresponding administrative enforcement action against the Taiwanese reexporter involved in that case.

¶13. Other internet searches revealed an apparent link between Free Components, CTC HK, HK XHY and Sur-link (and their mainland counterparts) and a series of companies described in reftel D, namely Hongtu Hangyan Electronic (HK) Co. and Ziheng International Electronics Co. as well as affiliated companies in Shenzhen including Shenzhen Hongtu Hangyang Technology Co. Ltd., Shenzhen Xinghangyang Technology Co., Ltd., Shenzhen Star-Navi Technology Co. and Beijing Hongtu Mingli Technology Trading Co. Ltd. The Shenzhen addresses of these companies are located in the same building as those of the companies listed above (Free Components, CTC HK, XHY HK and Sure-Link HK) but on a different floor. Web research suggests that Shenzhen Star-Navi is actually the holding company for companies in the Hongtu Hangyang group. When asked about some of these companies, Ms. Chan stated that she had heard of Ziheng but had not done business with it. She stated that she had shipped product to Hongtu Hangyang Technology Co. Ltd. although she was unfamiliar with Beijing Hongtu Mingli. She stated that Shenzhen Star-Navi Technology Co. was actually another English language name for Xing Hang Yuan (referenced in the immediately preceding paragraph).

¶14. ECO further notes that the registered address of Free

Components (in the Park-In Commercial Center) is located at the offices of SBC International (a company secretarial service). That address is also the registered address of Victory Wave Holdings, the subject of previous unfavorable PSVs referenced in reftels E and F and likewise involving suspected diversion of national security controlled items to mainland China. In Reftel E, the representative of Victory Wave stated that the particular items referenced in that check (EAR99 items) were destined to Shenzhen Hongdu Industry Co. (referenced above and apparently related to Free Components and the other companies noted herein). Other companies related to Victory Wave (and referenced in reftel E including Exodus Microelectronics Company Limited, Echelon Microsystems Limited and Omniway Technology Limited) have been registered by SBC International in Hong Kong as have Sur-Link HK, Italy Fegour (referenced in paragraph 10 above), CTC HK, XHY HK, and Free Components. As noted in reftel F, Victory Wave is related to another Hong Kong company, namely Centre Bright which was placed on the BIS Unverified List in light of its problematic business practices (that PSV is detailed in reftel H).

¶15. An initial review of Shippers Export Declarations (SEDs) listing the address of Free Components and CTC HK (both in the Grand City Plaza office building) reveals substantial shipments of electronic components to the Grand City Plaza addresses noted above (associated with Free Components and others) as well as additional companies and individuals that have received shipments, namely Able Components Co. Ltd., Ms. Cristy Chou and ARI International Co. Ltd. Able Components is not listed in the Hong Kong Companies Registry. ARI International Co. Ltd. is a new company registered in February 2008. It has no paid up share capital. Its sole director and shareholder is mainland national Zhou, Lujun. Its registered address is also at SBC International, 2401A Park-In Commercial Center, 56 Dundas Street, Hong Kong (as with Victory Wave, Free Components and others). An additional two companies, located on the 7th floor of the Grand City Plaza office building, are also in receipt of various electronics related components. They are Maxlink Industries Ltd. and Seatech International.

¶16. Recommendations: ECO recommends that OEA conduct a thorough review of all shipments to the various Hong Kong companies (and related addresses) listed herein to determine whether controlled commodities have been shipped to these companies as it is highly likely that those commodities have been transshipped to mainland China. Also, ECO recommends that BIS consider conducting outreach visits at exporters (including, especially, QP Semiconductor) that have shipped items to these companies, particularly those that list both a commercial and military production capability. (ECO note: Subject to some limited exceptions, most commercial items that are not controlled for export to China may be sold to virtually all end-users in China). ECO further recommends that OEA consider a

review of shipments of controlled commodities to all of the Hong Kong addresses of SBC International as ECO suspects that additional procurement entities may be using SBC addresses as their business premises (www.sbc.com.hk). Additionally, ECO recommends that BIS consider placing Free Components, CTC HK, Sur-Link HK, XHY HK, Able Components Co. Ltd. and ARI International Company Limited on the Unverified List (this is in addition to earlier recommendations that other companies related to these companies be added to the Unverified List). Finally, ECO recommends that BIS prepare commodity classifications for the items involved in this PSV so that ECO may approach the Hong Kong government to appraise it of potential violations of HK law related to likely failure by the companies in question to obtain required Hong Kong licenses.

Cunningham